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C O N F I D E N T I A L SECTION 01 OF 03 TAIPEI 000138

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SUBJECT: KUOMINTANG STRATEGY TOWARD CHEN SHUI-BIAN
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REF: A. 2005 SECSTATE 220617

[1](#)B. 2005 TAIPEI 4440
[1](#)C. 2005 TAIPEI 4800
[1](#)D. 2005 TAIPEI 3284
[1](#)E. 2005 TAIPEI 4920
[1](#)F. 2005 TAIPEI 4961
[1](#)G. TAIPEI 0029
[1](#)H. TAIPEI 0053
[1](#)I. 2005 TAIPEI 3097
[1](#)J. 2005 TAIPEI 3180
[1](#)K. 2005 TAIPEI 3450
[1](#)L. 2005 TAIPEI 3496
[1](#)M. 2005 TAIPEI 4799
[1](#)N. 2005 TAIPEI 4954
[1](#)O. TAIPEI 0027
[1](#)P. 2005 TAIPEI 3675
[1](#)Q. 2005 TAIPEI 5034
[1](#)R. 2005 TAIPEI 4159

Classified By: AIT Director Douglas Paal, Reason(s): 1.4 (B/D).

[1](#)1. (C) This cable is in response to Ref A's request for AIT input regarding, inter alia, Kuomintang (KMT) strategy toward the legislative and political agenda of President Chen Shui-bian and his Democratic People's Party (DPP), KMT Chairman Ma Ying-jeou's control of the party and its cross-Strait policy; and the extent of cooperation between the KMT and its Pan-Blue ally, the People First Party (PFP).

KMT Approach to Chen and the DPP Agenda

[1](#)2. (C) The KMT under Ma has attacked Chen and the DPP government on several fronts, including corruption, poor government performance, and cross-Strait relations. In the two months before the December 2005 mayor and county magistrate elections, the DPP suffered a series of corruption scandals. Ma, with a reputation for personal integrity, leveraged the DPP scandals to call for clean government and KMT party reform. Ma also attributed Taiwan's economic problems to the DPP's inability to improve cross-Strait political relations. (Ref B, C) The KMT has introduced and will pursue Legislative Yuan (LY) initiatives to "remove obstacles" to direct charter air links for passengers and cargo across the Taiwan Strait. Director of the KMT Central Committee Mainland Affairs Department Chang Jung-kung told

AIT the KMT can and will continue to conduct its own discussions with the PRC, but as the party out of power, the KMT's ability to expand the cross-Strait "three links" is limited. The KMT understands, said Chang, that realization of liberalized transportation and communication links will require cooperation and approval from Taiwan's elected government.

13. (C) The KMT-led Pan-Blue legislative coalition has, largely for political purposes, blocked debate of the Defense Procurement Special Budget for sixteen months, arguing that the special budget mechanism is fiscally irresponsible, that it deprives the LY of its right of review, and that the proposed weapons systems are inappropriate offensive weapons and/or grossly overpriced (submarines), too old (P-3C ASW aircraft) or, in the case of the PAC-III missiles, barred by the "vetoed" 2004 referendum. (Ref D) The Pan-Blues have also zeroed-out in the regular 2006 annual defense budget all funding for the PAC-III missiles and preparatory funds for all three weapons systems. After a year and a half of Pan-Blue attacks on the DPP for trying to railroad "foolish" military purchases through the LY, Ma and the KMT recently signaled the possibility of compromise, particularly regarding the purchase of the P-3Cs. (Ref E, F, G)

14. (C) In response to President Chen's confrontational New Year's Day address (Ref H), Ma has said he will continue efforts to promote KMT legislative proposals while blocking many government-proposed initiatives. The KMT will also continue to block LY consideration or approval of President Chen's Control Yuan nominees. Aside from possible agreement on the purchase of at least a few P-3C aircraft, most KMT insiders tell AIT that the KMT will for the foreseeable future continue opposing the balance of the U.S. arms

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procurement proposal. Ma has stated publicly the KMT's primary goal is to retake the presidency in 2008. Although Ma has yet to formally announce his intention to run for president, KMT sources tell AIT that everything Ma and the KMT do is crafted to position Ma to win the 2008 presidential election.

Ma's Control of the Party

Potential Challengers:

15. (C) After Ma was elected as KMT Chairman in July 2005, many expected, and Wang advisors corroborated, that the defeated Wang Jin-pyng sought to use his close relationship with Honorary Chairman Lien Chan, his position as LY Speaker and his popularity among senior KMT leaders to oppose Ma and his reforms. (Ref I, J, K) During the KMT 17th National Congress in August, while voting for rules changes and for the Central Committee and Central Standing Committee membership did break along pro-Ma and pro-Wang lines, Ma emerged victorious on almost all counts. (Ref L) With Ma at the helm calling for voters to give the DPP government a "vote of no confidence," the KMT soundly defeated the DPP in the December 3 island-wide local elections, helping Ma to consolidate his control over the party. Before the election, Ma had promised to resign as chairman if the KMT performed badly in the election, which may have helped bring out the KMT vote to "save" him. (Ref C, M)

16. (C) KMT contacts tell AIT that Ma is now firmly in control of the party and that Wang is no longer capable of forming an alternative power core within the KMT. (Ref N) However, recent talk surrounding the formation of a "coalition cabinet" has raised the potential of a different Wang threat: that he could, without Ma's consent, replace Frank Hsieh as Premier, taking the votes of several Wang-loyalist KMT LY members with him and destroying the KMT's slender LY majority in the process. (Ref O) This possibility has been greatly reduced following President Chen's controversial New Year's

Day address. Wang may no longer be a threat to Ma's dominance of the KMT, but he could remain a thorn in Ma's side for some time. In addition, according to press reports Lien Chan has expressed displeasure over Ma's treatment of Wang and over Ma's public statement that unification with China is the KMT's goal. KMT Mainland Affairs Department Director Chang Jung-Kung told AIT that Ma is also generating some irritation among the KMT old-guard with his plans to downsize the party's bureaucracy. Chang said he recognized that the KMT's financial difficulties leave Ma no choice but to reduce the party's bloated payrolls. Although he and others who face termination may be disgruntled by Ma's decision, Chang noted, there is little they can do to oppose Ma, who derives his political power from outside the party bureaucracy.

Control of KMT Cross-Strait Policy:

17. (C) KMT interlocutors have told AIT that Ma "wholly supports" the five point consensus agreed to by Lien Chan and Hu Jintao in May 2005, and that Ma personally asked Lien to continue management of the KMT's cross-Strait policy. All cross-Strait policy decisions, however, must receive Ma's approval before implementation. (Ref P, Q) On January 5, Ma publicly called for a national referendum on direct cross-Strait transportation links, but reversed himself the next day, saying the expense of a referendum would be unnecessary if the LY could make the necessary amendments to the law governing cross-Strait relations. The KMT has announced that making these changes will be a priority when the LY reconvenes after the Chinese Lunar New Year holiday.

MAC, GIO, CEC, Examination Yuan, Budget Cuts

18. (U) In November 2005, the Pan-Blue dominated legislature cut NT\$438 million (US\$13 million) from the Mainland Affairs Council (MAC) budget, froze the NT\$600 million (US\$18.7 million) budget of the General Information Office (GIO), and

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proposed to cut NT\$1 million from the Examination Yuan budget, NT\$2 million from the Ministry of Civil Service, and NT\$100 million from the Presidential Office budget, including a proposed NT\$50 million cut to the special national affairs executive budget.

19. (C) KMT legislator and Ma supporter Su Chi told AIT that the aforementioned budget cuts were the brainchild of the KMT and PFP LY caucuses, and that Ma "was out of the budget loop" and had no involvement whatsoever with the budget cut strategy. Su said the MAC budget cuts were intended to signal Pan-Blue dissatisfaction with the slow pace of cross-Strait exchanges, while the other cuts were mostly intended to highlight alleged DPP shortcomings in advance of the December 2005 mayor/magistrate elections. Other KMT leaders told AIT that Ma was quite displeased by the KMT LY members' heavy-handed budget-cutting tactic. By early January 2006, many of the proposed budget cuts had been scaled back as a result of inter-party caucus negotiations. Following agreements reached between the party caucuses by January 10, the budget passed on January 12 eliminated NT\$11.2 billion (US\$350 million) of funding earmarked for the PAC-III missile system and for projects to prepare for the purchase of the PAC-IIIs, submarines and P-3C ASW aircraft. The LY also cut an additional NT\$25.2 billion (US\$788 million) from the general budget, and "froze" NT\$246 billion (US\$7.7 billion) of other funding, which can be disbursed later with LY approval. As a percentage of the total budget originally requested by the Executive Yuan, the LY's cuts total 2.28 percent, and the "frozen" portion totals 16 percent of the total planned expenditure.

Cross-Strait Peace Advancement Bill

¶10. (C) Su Chi told AIT the KMT had only offered lukewarm support to the Cross-Strait Peace Advancement bill, introduced by the People First Party (PFP), to demonstrate Pan-Blue unity before the December 2005 elections, but with the election rationale now gone, that bill will likely be killed in the near future. According to Su, even PFP Chairman James Soong knows the bill will fail, and will not push it very hard. Su said the bill may be constitutionally flawed because it would position the LY to compete with the executive branch on cross-Strait relations.

PRC Visits Impact KMT LY Strategy

¶11. (C) Both DPP and KMT legislators have asserted to AIT that the April-May 2005 Lien-Soong visits to Mainland China were a watershed in Taiwan politics and cross-Strait policy. Lien Chan's visit gave the KMT a five-point popularity boost that persisted in subsequent polling right up to the KMT's victory in the December 3, 2005 local elections. The duty-free fruit import, charter flight proposal, improvements for Taiwanese students studying in China, and panda diplomacy efforts all stem from the Joint Statements prepared during the visits of Lien and PFP Chairman James Soong. (Ref R) The KMT will continue to push initiatives in the LY designed to promote cross-Strait relations and to put pressure on the DPP government to take steps to further open cross-Strait links.
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